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C O N F I D E N T I A L DHAKA 001305

SIPDIS

E.O. 12958: DECL: 03/22/2015

TAGS: [EAID](#) [EFIN](#) [ECON](#) [PREL](#) [BG](#)

SUBJECT: IMF ROUTINE REVIEW TEAM MAKES POSITIVE INITIAL ASSESSMENT

REF: DHAKA 00362

Classified By: Classified By: Econ Chief David Renz; reason 1.4 b.

[1](#)1. (C) An early March IMF preliminary review of the BDG's progress under the Poverty Reduction and Growth Facility (PRGF) program was positive, according to IMF country representative, Jonathan Dunn during a March 16 meeting with EconOff. Under the PRGF \$500 million loan arrangement, the BDG must privatize its four National Commercial Banks (NCB), starting with the Rupali Bank, the smallest of the NCBs. The visit was a surprising contrast to a negative review in October 2004 and signs of little progress leading up to the March review (reftel).

[1](#)2. (C) The IMF team left BD last week satisfied with BDG commitments to privatize Rupali Bank and a positive assessment of the BDG's progress. According to Dunn, the team recognized that the high cost of recapitalization was the key issue delaying privatization of the bank. Most of the NCBs are bankrupt and need substantial BDG investment to recapitalize the banks prior to privatization. The BDG must present its plan for the privatization of Rupali bank to the IMF by the end of March. The IMF team will then return for the review and assessment of the plan in early April. A full report will be available after the April visit.

THOMAS